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SUBJECT: BFIF SUPPORT FOR U.S.-MOROCCO FTA CLOSE OUT REPORT

REF: 06 STATE 127166

¶1. Summary. The FY-06 Business Facilitation Incentive Funds (BFIF) program approved \$11,000 for Embassy Rabat to support the U.S.-Moroccan Free Trade Agreement (FTA) in its initial year of implementation. Post proposed to use the funds to bolster the American Chamber of Commerce's (AmCham) program of workshops to highlight industrial sectors thought to be particularly well suited to benefit from the FTA. While all envisaged seminars were not realized, those that were held contributed to the strong trade results that marked the FTA's first year. End summary.

¶2. AmCham originally planned to cover the following industries: automotive components, agribusiness, chemicals, apparel and pharmaceuticals. In the end, three workshops were completed concerning the handicrafts, agribusiness and pharmaceutical sectors. However, AmCham experienced delays in organizing certain other workshops and deobligated \$4,653 of unused funds at the end of FY-06 with the intention of using most of them in FY-07. Now, however, the AmCham has decided to cancel the remainder of the program.

¶3. In February 2006, AmCham secured the services of an expert in the handicraft sector who was visiting Morocco. Although this sector was not originally covered in its plans, the AmCham took advantage of this target of opportunity to hold several workshops that did not require any BFIF funding for travel. Later in 2006, AmCham decided not to pursue the automotive part sector program, but instead assisted post with its plans to hold an investment conference for the sector (septel).

¶4. The AmCham conducted a successful series of workshops for the agriculture sector in March, 2006. This program incurred total costs of \$3,448 consisting of \$1,920 for air fare for agribusiness expert Mathew Nussbaum and \$1,528 for translation services. Agriculture is one of the most important sectors of the Moroccan economy, employing approximately 40 percent of the population and accounting for 15 percent of GDP. The sensitive agriculture sector received special attention during negotiations on the FTA and in 2006 total bilateral trade in the sector increased 63 percent to \$365 million. U.S. exports increased 70 percent to \$295 million and Moroccan exports grew 40 percent to \$70 million. These results are a considerable success for the FTA in its first full year of implementation.

¶5. Pharmaceutical workshops were delayed until September, 2006 due to difficulties in finding a trainer. Costs for the program totaled \$2,875: \$1,300 for airfare and \$1,575 for translation services. Bilateral trade in this sector is still quite small with zero exports from Morocco and only \$1.4 million of U.S. exports. Unfortunately, U.S. pharmaceutical exports to Morocco dropped 31 percent in 2006, but since the workshop did not take place until late in the

year any beneficial effects probably will not be felt until 2007.

16. Comment: In comparison with its larger MEPI and USAID counterparts, which also aimed at supporting FTA implementation, our BFIF funding was directed at specific niche markets. As such, its impact was more limited. Nevertheless, it helped post's efforts to get the FTA off to a strong start and to underline the U.S. commitment to helping Morocco draw maximum advantage from the agreement.

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